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INDUSTRIAL DEVELOPMENT FUND

Estimated resource level and programming thrust for 1996 and 1997

Report by the Director-General

Summary

Reviews the current pledging pattern of the Industrial Development Fund and describes the Secretariat's approaches for the programming thrust for 1996 and 1997.

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Introduction

1. The Industrial Development Fund (IDF) is a key financial mechanism, anchored in the UNIDO Constitution, to enable the Organization to fulfil its mandates.

2. In addition to providing information on current pledging patterns and approvals, the present document focuses on IDF activities as broken down by medium-term plan priority area and common element. In outlining the IDF action plan for 1996-1997, the text describes how such fundamental aspects as quality management and lessons learned from past experience are key elements of programme and project development.

I. OVERVIEW OF 1994

A. Pledges

3. In 1994 IDF received $71.5 million in pledges, as shown in the following table, which also shows the trends in the pledges received:

Pledges to IDF, 1992 to 1994
(in US dollars)

	1992	1993	1994
Governments and organizations	30,320,173	24,802,429	27,852,118
United Nations International Drug Control Programme	-	2,544,640	1,605,435
Montreal Protocol	-	6,899,617	42,087,899
Total	30,320,173	34,246,686	71,545,452

The above figures show that in 1994 the pledges provided by donor Governments increased by 12 per cent as compared with 1993. As also shown, during 1994 the Secretariat was particularly successful in attracting additional contributions from funds available from the Montreal Protocol.

B. Approvals

4. Although projects cleared during any year by the Programme and Project Review Committee for submission for IDF special-purpose donor funding are in a number of cases approved by donors in the following year, the submission and approval figures and trends for 1994 already show a greater selectivity on the part of the UNIDO Secretariat as well as a higher quality of proposals. Thus, while there was a large decrease in the numbers and value of projects submitted for potential IDF financing (in 1992, 106 projects amounting to $57.3 million; in 1993, 98 projects amounting to $46 million; and in 1994, 59 projects amounting to $28.3 million), new approvals showed a smaller decrease with $26 million in 1992, $23.7 million in 1993 and $21.3 million in 1994. This represented 45 per cent of submissions in 1992, 52 per cent in 1993 and 75 per cent in 1994.

C. Geographical and sectoral distribution of funds

5. Owing to the mainly special-purpose type of funding under IDF and the extremely limited resources under the general-purpose convertible segment ($0.8 million in 1994), the Secretariat lacks programmable resources and is thus largely dependent on donor priorities for its technical cooperation activities. Despite this constraint, through a proactive effort the Secretariat has been successful in ensuring a balanced geographical and thematic distribution of funds as shown below:

II. 1996-1997 ACTION PLAN

A. Building on experience and past successes

6. An important dimension of the ongoing reform process in UNIDO is the ability of the Organization to improve its field operations. This acquires particular importance within the framework of IDF-sponsored activities, which are among the main instruments for developing and conducting operational field activities. Detailed information on IDF-sponsored activities is provided in a conference room paper (PBC.11/CRP.1).

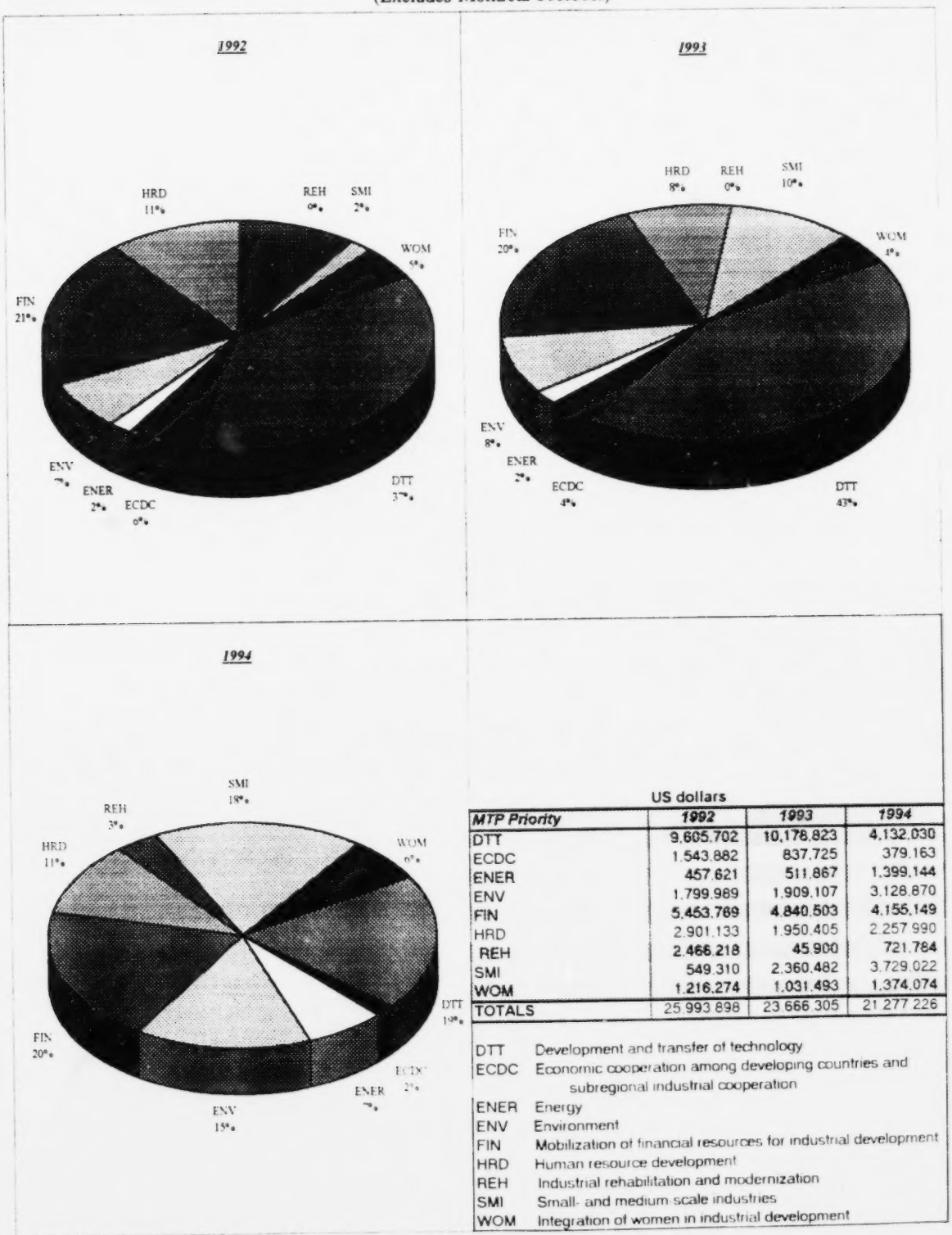
7. Building on acquired experience will constitute the basis for developing programmes and projects of high quality and impact in the forthcoming biennium. The lessons learned from success stories may be summarized as follows:

(a) A careful analysis of problems and development needs must be carried out prior to the commencement of the programme/project. In this connection, human and financial resources will be invested for preparatory assistance, needs assessment and involvement of the target beneficiaries;

Figure 1

New IDF approvals by medium-term plan priority area and common element, by per cent a/

(Excludes Montreal Protocol)



US dollars

MTP Priority	1992	1993	1994
DTT	9,605,702	10,178,823	4,132,030
ECDC	1,543,882	837,725	379,163
ENER	457,621	511,867	1,399,144
ENV	1,799,989	1,909,107	3,128,870
FIN	5,453,789	4,840,503	4,155,149
HRD	2,901,133	1,950,405	2,257,990
REH	2,466,218	45,900	721,784
SMI	549,310	2,360,482	3,729,022
WOM	1,216,274	1,031,493	1,374,074
TOTALS	25,993,898	23,666,305	21,277,226

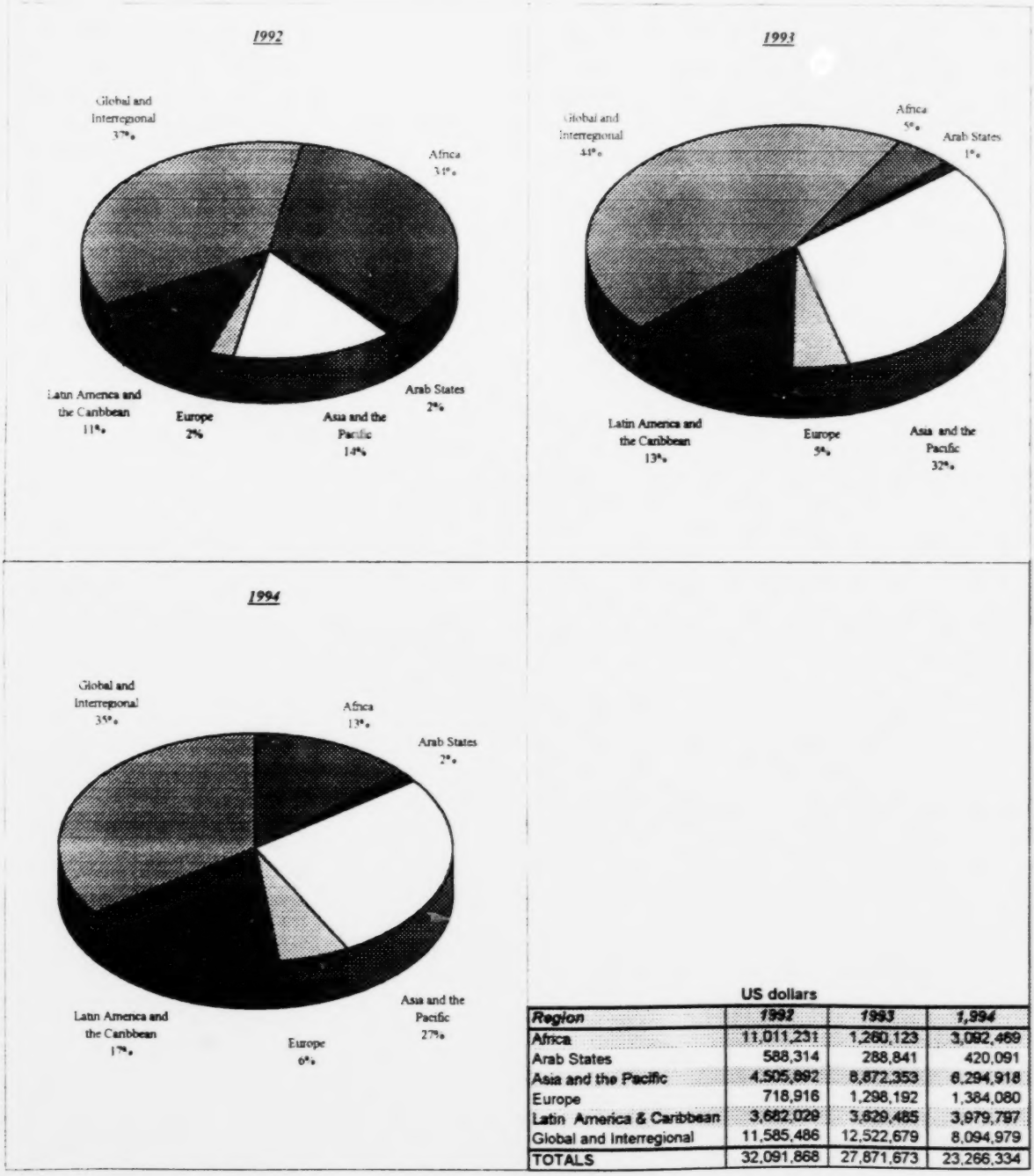
DTT	Development and transfer of technology
ECDC	Economic cooperation among developing countries and subregional industrial cooperation
ENER	Energy
ENV	Environment
FIN	Mobilization of financial resources for industrial development
HRD	Human resource development
REH	Industrial rehabilitation and modernization
SMI	Small- and medium-scale industries
WOM	Integration of women in industrial development

a/ New approvals only (excluding changes/revisions) are utilized to reflect the thematic distribution, as net figures would include projects approved prior to the establishment of the medium-term plan priority areas for 1990-1995.

Figure 2

Net IDF approvals by region, by per cent a/

(Excludes Montreal Protocol)



US dollars

Region	1992	1993	1,994
Africa	11,011,231	1,260,123	3,082,469
Arab States	588,314	288,841	420,091
Asia and the Pacific	4,505,892	8,872,353	6,294,918
Europe	718,916	1,298,192	1,384,080
Latin America & Caribbean	3,682,029	3,829,485	3,979,797
Global and Interregional	11,585,486	12,522,679	8,094,979
TOTALS	32,091,868	27,871,673	23,266,334

a/ Includes changes/revisions to existing projects

(b) The credibility of UNIDO is contingent upon its technical and professional expertise and its capability to pool various types of expertise in providing knowledge-based (rather than purely administrative) services to its clients;

(c) Priority must be awarded to large-scale programmes and projects providing integrated solutions, i.e. addressing industrial sector needs at the policy, institutional and enterprise levels and/or providing analytical, promotional, information and technical services.

8. The IDF programme and plan, 1996-1997, will award priority to programmes and projects targeting, as main beneficiaries, small and medium enterprises and provide assistance primarily at the policy and institutional levels. Development of local capability will be targeted rather than the provision of direct support. Importance will also be given to UNIDO activities being complementary and closely coordinated with those of other multi- and bilateral cooperation agencies.

B. IDF as an instrument to translate the 1996-1997 priority themes into action

9. In the forthcoming biennium, IDF will also constitute one of the main tools to translate into action the priority programmatic themes outlined in the programme and budgets, 1996-1997 (document IDB.14/2-PBC.11/2, para. 44). They comprise: (a) strategies, policies and institution-building for global economic integration; (b) Africa and least developed countries: linking industry with agriculture; (c) environment and energy; (d) small and medium enterprises: policies and networking; (e) innovation, productivity and quality for international competitiveness; (f) industrial information; and (g) rural industrial development.

10. Since UNIDO has to observe its multilateral and universal mandate, no regional priorities will be established, apart from the focus on Africa and least developed countries (LDCs) mandated by the Yaoundé Declaration (GC.5/Res.20). Along the lines followed in 1994, regional priority setting by donors will, to some extent, be counterbalanced by a proactive approach by the Secretariat to reach equitable geographical distribution.

C. Quality system for UNIDO technical cooperation services

11. One of the main aspects of the reform process of UNIDO approved by the General Conference (GC.5/Res.18) at its fifth session relates to the adoption of a quality management system. With regard to UNIDO technical cooperation and other services provided to its clients in developing countries, a blueprint of the quality system has been prepared (CPD.11). Financial resources for the development and improvement of that system were provided through IDF.

12. Quality in UNIDO technical cooperation services can best be achieved by laying down the conditions for successful identification, formulation and implementation of UNIDO services. In 1994, UNIDO identified and formulated a number of projects through a participatory approach with clients in recipient countries using the objectives-oriented project planning (OOPP) methodology or similar approaches. IDF-sponsored preparatory assistance projects designed on the basis of the new approach were undertaken in: India (establishment of the lignite fuel and energy research institute); Indonesia (transfer of PCM/OOPP methods to the Ministry of Industry); Viet Nam (small and medium enterprise development programme); and establishment of national cleaner production centres in India, Indonesia, Mexico, United Republic of Tanzania and Zimbabwe.

13. Quality management is a long-term reform process involving a fundamental change in the culture and working processes of the Organization. UNIDO is at the forefront in the development and application of the system among multi- and bilateral development cooperation agencies, but further funding and work are required to fully introduce the system.

14. In the following biennium further attention will be given to the application of OOPP in project development and implementation as well as to identifying, mobilizing funding and implementing a larger number of projects based on the participatory approach. Using the feedback and experience acquired, the system will be further improved.

15. Special attention will also be awarded to monitoring and evaluation, which are critical elements for successful implementation. To the extent possible, the same participatory approach will be applied as in the development stage of UNIDO services involving not only the client but also the target beneficiaries.

D. Complementary use of UNIDO-managed funds

16. The various funding sources will be utilized in a complementary manner for the different types of services and will aim at reinforcing each other as follows:

(a) The regular budget and the Regular Programme for Technical Cooperation will be used mainly for the analytic and normative activities of UNIDO with global impact. The Regular Programme will also provide part

of the seed money necessary for programme development;

(b) Core IDF and trust fund contributions provided regularly by the major traditional donors will be directed primarily to activities for Africa and LDCs, as well as to other special regional programmes; economic co-operation among developing countries (ECDC) will be awarded particular attention;

(c) Ad hoc contributions to IDF and trust funds for special programmes will be mobilized from additional sources for specific programmes such as environment and the particular needs of Eastern European countries.

E. Target for IDF contributions

17. The target for IDF contributions in 1996 and 1997 will continue to be $50 million, as established by the policy-making organs of UNIDO. In that respect, the high resource base achieved in 1994 is, to a large extent, due to the outstanding success of mobilizing funds from the Montreal Protocol, which is a convention-specific, time-bound facility not available for overall industrial development issues. An increase of government contributions to reach the target of $50 million will be necessary for the Organization to cover its priority areas.

18. The UNIDO Secretariat's action plan for 1996-1997 for IDF will thus comprise the following steps:

(a) Definition, promotion and implementation of a limited number of high quality large-scale programmes and projects;

(b) The programmes/projects will build upon UNIDO experience and success stories in terms of provision of knowledge-based services through high-level and multidisciplinary expertise;

(c) Small-scale projects will be confined to those of a preparatory assistance nature and to strategic projects for the provision of high-level advice to solve specific problems;

(d) The programmable resources of UNIDO under the general-purpose convertible segment of IDF will be utilized mainly for preparatory assistance and assessment of needs;

(e) Quality management will continue to be strengthened and will encompass all stages of project development, including implementation;

(f) Resources (both human and financial) will be concentrated on selected activities. Focus will be awarded to the priority programmatic themes outlined in paragraph 9 above;

(g) Regular budget and extrabudgetary funding will be used in a complementary and mutually reinforcing manner.

III. ACTION REQUIRED OF THE COMMITTEE

19. The Committee may wish to consider recommending to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls the Yaoundé Declaration (GC.5/Res.20) as well as decision IDB.13/Dec.17 on the Industrial Development Fund;

"(b) Takes note of the report of the Director-General contained in document IDB.14/5-PBC.11/6;

"(c) Approves the action plan for 1996 and 1997 as contained in chapter II of that document;

"(d) Decides to delegate authority to the Director-General to approve projects for financing under the Fund in 1996 and 1997 in accordance with the priority areas of the medium-term plan;

"(e) In reiterating General Conference resolution GC.5/Res.8, encourages Member States:

"(i) To increase their IDF pledges to ensure that the desirable annual funding level of $50 million be reached as soon as possible through contributions by Governments;

"(ii) To provide part of their contributions to the general-purpose convertible segment of the Fund so that a minimum annual level of $10 million can be achieved for that segment as soon as possible;

"(iii) To consider providing umbrella contributions for financing preparatory assistance of large-scale activities and/or contributions towards the 1996-1997 priority programmatic themes."